

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 09920 211839Z

61

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 EA-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00

OPIC-12 LAB-06 SIL-01 SWF-02 AGR-20 TAR-02 DODE-00

PA-04 USIA-15 PRS-01 L-03 DRC-01 /219 W

----- 111401

R 211826Z JUN 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3374

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION NATO BRUSSELS

LIMITED OFFICIAL USE BONN 09920

DEPARTMENT PASS TREASURY, FEDERAL RESERVE AND CEA

E.O. 11652: N/A

TAGS: ECON: EFIN: GW

SUBJECT: NEW GNP AND PRICE FORECASTS FOR 1974-75

1. SUMMARY. INTERNAL ECONOMICS MINISTRY GNP FORECASTS
FOR 1974 AND 1975 HAVE BEEN LEAKED TO THE PRESS. THEY
PROJECT REAL GNP GROWTH AT 2 AND 3.9 PERCENT AND
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 09920 211839Z

CONSUMER PRICE RISES AT 8.3 AND 8.0 PERCENT IN 1974

AND 1975, RESPECTIVELY. ALTHOUGH THESE FIGURES ARE NOT MEANT AS DEFINITIVE FORECASTS, THEY DO PROVIDE INSIGHT INTO CURRENT THINKING WITHIN THE MINISTRY, AND ARE NOTEWORTHY FOR THEIR OPTIMISTIC ASSESSMENT OF PRICE DEVELOPMENTS. AT THE SAME TIME, MINISTRY OFFICIALS INDICATE THAT THE ECONOMY MAY HAVE DONE BETTER DURING THE FIRST FOUR MONTHS OF THIS YEAR THAN WAS KNOWN BEFORE, SO THAT THE RECOVERY EXPECTED FOR THE SECOND HALF OF 1974 MIGHT POSSIBLY BE UNDERWAY SOONER THAN EXPECTED. END SUMMARY

2. REVISED ECONOMICS MINISTRY FORECASTS FOR 1974 AND NEW FORECASTS FOR 1975 HAVE SURFACED IN THE FRG IN CONNECTION WITH THE ANNUAL EXERCISE OF FORECASTING TAX REVENUE. THESE FIGURES WERE NOT INTENDED FOR PUBLIC USE AND SHOULD BE REGARDED AS MERELY WORKING

FIGURES WHICH IT WAS NECESSARY TO CALCULATE IN ORDER TO HAVE SOME KIND OF REASONABLE BASIS ON WHICH TO ESTIMATE POSSIBLE TAX REVENUE. THE FIGURES LEAKED TO THE PRESS AND NOW PUBLISHED ARE ONLY ONE SET OF A SERIES OF FORECASTS USING DIFFERING ASSUMPTIONS. NEVERTHELESS, THE FIGURES GIVE A USEFUL INSIGHT INTO THE THINKING OF THE MINISTRY AT THE WORKING LEVEL.

3. ECONOMICS MINISTRY FORECAST
(GROWTH RATE IN PERCENT OVER PRECEDING YEAR)

	1974	1975
CONSUMER PRICES	8.3	8.0
(GNP DEFLATOR)	(7.3)	(6.8)
NOMINAL GNP	9.4	11
REAL GNP	2.0	3.9

4. THE MINISTRY'S PRIME FORECASTER AT THE WORKING LEVEL TELLS US THAT THIS FORECAST MAKES A NUMBER OF OPTIMISTIC ASSUMPTIONS. NOT THE LEAST OF THESE IS A PROJECTED GROWTH RATE OF WAGES OF ONLY 8. PERCENT FOR BOTH 1974 AND 1975. WHILE THIS WOULD APPEAR TO BE RELATIVELY UNREALISTIC, EVEN IN VIEW OF WAGE HIKES ALREADY AGREED UPON, ONE SOURCE EXPECTS ACTUAL WAGES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 09920 211839Z

PAID TO EXCEED THE RATES SET BY COLLECTIVE BARGAINING. ACCORDING TO ONE SOURCE THE FORECAST ALSO ASSUMES THAT PUBLIC SECTOR CONSUMPTION WILL GO UP BY ONLY 13 PERCENT IN 1975 (14 PERCENT THIS YEAR ALONE). THE NEW INDIVIDUAL INCOME TAX LAW AS PASSED BY THE BUNDESTAG BUT STALLED IN THE BUNDESRAT (TO TAKE EFFECT ON JANUARY 1, 1975) WOULD ADD THREE PERCENTAGE POINTS TO THE GROWTH RATE OF PUBLIC EXPENDITURES FROM

INCREASED CHILDREN'S PAYMENTS.

5. THE ECONOMICS MINISTRY ALSO TELLS US THAT RESULTS
FROM THE FIRST FOUR MONTHS OF 1974 SHOW THAT THE
ECONOMY GREW AT AN ANNUAL RATE OF AROUND 2 PERCENT.

6. THE FORECAST ALSO ASSUMES THAT EXPORTS WILL
CONTINUE TO GROW BY AT LEAST A "REASONABLE" RATE.
HILLENBRAND

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC GROWTH, PRICE TRENDS, ECONOMIC ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN09920
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740164-0092
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740626/aaaaavsh.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2002 by izenbei0>; APPROVED <18 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW GNP AND PRICE FORECASTS FOR 1974-75
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005